
Minutes

Board of Natural Resources

November 2, 2004
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Glen Huntingford, Commissioner, Jefferson County

Bruce Bare, Dean, University of Washington, College of Forest Resources

R. James Cook, Interim Dean, Washington State University, College of Agricultural, Human, and Natural Resource Sciences

CALL TO ORDER

Chair Sutherland called the meeting to order at 9:10 a.m. on, November 2, 2004, in Room 172 of the Natural Resources Building.

APPROVAL OF MINUTES

MOTION: Glen Huntingford moved to approve the October 5, 2004 & August 19, 2004, Board of Natural Resources Meeting Minutes.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

PUBLIC COMMENTS FOR AGENDA ACTION ITEMS

Steve Hood - Chair of Lake Whatcom Landscape Committee

Mr. Hood began by saying that he was Chair of the Lake Whatcom Landscape Committee and an employee of Department of Ecology. He thanked the Board for entertaining the Landscape Plan and all the effort that DNR put into the process. Mr. Hood stated that from the beginning the committee's goal was to come to a consensus and then attempt to come to a consensus with DNR. The only area where they did not reach consensus was on green tree retention; he noted that DNR came up with a strategy to address that issue. The committee differed on how much authority the Interjurisdictional Committee (IJC) should have. He was glad that the resolution allowed more time to gather information on the oil and gas drilling issue. He thanked the Board for considering the Lake Whatcom Landscape Plan.

Dan McShane - Lake Whatcom Landscape Plan Committee

Mr. McShane thanked the Board and DNR for working with the committee and reaching consensus on most of the issues.

Bob Dick - American Forest Resource Council (AFRC)

Mr. Dick read a sentence from Senate Bill 6731 (Lake Whatcom) "Where appropriate the Department will consult with other major forest land owners in the watershed", he explained that through no fault of anyone in the room, that did not happen, and was not allowed to happen. He stated that he understood why the Board would most likely adopt the Lake Whatcom Landscape Management plan but he felt that the plan was wrong and the only way out of this travesty would be to take it back to the legislature and explain that the Board had to adopt this plan and were forced into it. Mr. Dick feels there has to be a better way to resolve the Lake Whatcom issue.

Kendra Smith - Natural Resource Lands Policy Coordinator - Skagit County

Ms. Smith said that Skagit County is seriously questioning the preferred alternative for the Lake Whatcom Landscape Plan from a fiduciary standpoint, and whether it's treating the seven trusts involved on an equitable basis. She said that there are three primary concerns from Skagit County: 1) Direct loss of revenue, Skagit County has 600 acres involved in this planned area, 60 of which are not within the hydrographic boundary of the watershed; this has cost the County \$161,000 since December 03'. 2) DNR's cost for managing the area, which is a hit to the beneficiaries and is unfair that the beneficiaries should have to incur the indirect cost of road maintenance and abandonment costs. Skagit County had no voice in putting this plan together even though they have lands in the watershed. 3) The potential precedent it may set by adopting this plan. Skagit County understands that the Board has a mandate to manage this land but they would like to request that the Board put off the decision for one more month to really look at a creative solution that would benefit all. She referenced a letter that the Skagit County Board of Commissioner's submitted that included a proposed amendment to the Lake Whatcom Resolution suggesting that the revenues generated in this management area exceed the implementation costs each year and that DNR and other trusts be compensated for the expected reductions in revenue and increase in cost of adopting this plan. They also suggested trading lands and looking at RCW.79.10.070 which says, "If such alternatives of management by the Department reduce revenues from, increase costs of management of, or reduce the market values of public lands the city or town requesting such alternations shall fully compensate the Department." In consideration of this RCW Skagit county believes the Board should require Whatcom County to reimburse the other impacted trusts which include Skagit County, the Common School Trusts, and Washington State University for any reductions in revenue that will result from the adoption of this resolution. Ms. Smith submitted a letter from Richard Jones, Superintendent of the Burlington-Edison School District, in which he aligns himself with Skagit County on the Lake Whatcom issue.

TIMBER SALES

Proposed Timber Sales for December 2004 (Handout1)

Jon Tweedale, Assistant Division Manager, Product Sales and Leasing, presented. Mr. Tweedale began his presentation with an overview of the October 2004 sales results: 6 sales offered & 6 sold; 22 mmbf offered & 22 mmbf sold; \$5.1 million minimum bid offered & \$6.9 million sold; \$229/mbf offered & \$315/mbf sold; average number of bidders, 4; 37% above minimum bid.

Proposed December 2004 Board Sales: 15 sales for 41 mmbf; \$14.2 million minimum bid; average \$350/mbf.

December 2004 Board Sales: Recommend all 15 sales at 40,683 mmbf with a minimum bid of \$14,241,000 be approved for auction for the month of December 2004.

Mr. Tweedale commented on the timber market stating that it had reached a plateau and the lumber prices have decreased from record highs. He explained that the margin between revenue and log cost was so high that mills were making incredible profits but the margins have gone back to normal and he doesn't anticipate a decrease in stumpage prices.

Chair Sutherland asked Mr. Tweedale to discuss the SEPA (State Environmental Policy Act) letter received regarding an easement on a timber harvest.

Mr. Tweedale explained that there is a US Forest Service trail with no easement and the Forest Service asked if they could enter into an easement agreement. The Department did not feel it was necessary to enter into that easement however they would still allow use of the trail. Northwest Region mitigated by talking with US Forest Service and continuing to allow the use of the trail.

Chair Sutherland asked if there would be a temporary diversion during harvest?

Mr. Tweedale responded that there would be a diversion but at the end of harvest it would be brought back to trail use.

Ms. Bergeson asked if that resolved the issue.

Mr. Tweedale said yes.

Mr. Tweedale directed the Board's attention to another SEPA significant letter regarding Little River Aerial, there was an addendum for Class 4 special responsible official being Forest Practices instead of the Region Manager. He explained that it's basically an administrative rule that allows an additional look at a class 4 special by Forest Practices.

MOTION: Glen Huntingford moved to approve December 2004 timber sales.

SECOND: Terry Bergeson seconded.

DISCUSSION: Mr. Tweedale said the market is strong and DNR is on track to achieve the 570/mmbf.

ACTION: Motion passed unanimously.

CHAIR REPORTS

Forest Resource Plan Update (Handout2)

Mr. Sprague began by discussing his July presentation, which was an overview of the policy subject areas they were proposing to include in the Forest Resource Plan (FRP); the areas were identified through the scoping process, review of existing policies and internal agency discussions. Since then his team has been busy developing alternative approaches for those subject areas and have also begun work on a Department recommended alternative along with draft policies in that same time frame. He stated that agency staff is ready to support the Board's discussions of alternative approaches. He said his goal today would be to review the timeline up to the final decision point in June 2005. He stated that in January 2004 the process began by identifying what the need, purpose, and policy objectives of the plan should be. The policy objectives were built on the principles adopted during the SHC (Sustainable Harvest Calculation) process. The SEPA scoping phase began in March 2004 and the comments received were shared with the Board at the May 2004 meeting. Based on the final scoping comments received, the plan, purpose statement, and policy objectives were updated. He explained that the publication date of the DEIS (Draft Environmental Impact Statement) had changed from early January to early February; the DEIS will contain the Department's recommendation to the Board on the preferred set of policies. He said that all the work that has been done and would continue to be done is in preparation for support of the Board's discussions of the alternatives and policy statements for each of the subject areas and the selection of policies that will guide Department management of 2.1 million acres of state

forested trust lands for the next decade and beyond. He explained that the Board would be receiving more information at the December meeting as well as individually scheduled meetings later in the month.

Ms. Bergeson asked if today's presentation was informational?

Mr. Sprague said yes.

Ms. Bergeson wondered how the public could stay involved in this process.

Mr. Sprague responded that in February and March the public would be able to submit their comments and additionally the comment period would be 45 days instead of 30.

Ms. Bergeson wondered if the Forest Resource Plan would be discussed at the upcoming WSSDA (Washington State School Directors Association) meeting?

Chair Sutherland said the meeting with WSSDA is an important place to begin alerting the public to the plan however he felt that the December meeting would really be the best place for the public to become more aware of the complexities of the plan and the intention of how much coverage is going to be in it.

Ms. Bergeson suggested giving a hand out to the public at the WSSDA meeting.

Mr. Cook asked if this plan would cover all lands, Eastside included?

Mr. Sprague said the whole state had been considered in this process; Eastern Washington was included in the scoping process and public hearings.

Mr. Huntingford asked if there would be an opportunity for the Board and public to review the scoping comments and what issues had been raised in that process?

Mr. Sprague said they could include that as an appendix in the DEIS or some other method.

Mr. Huntingford felt that as a Board Member it would be important to see what the issues were and how they were transformed into the DEIS. He expressed his desire for the public really getting involved in the process early on so that issues could be addressed as soon as possible.

Ms. Bergeson commented on the fact that the Forest Resource Plan, SHC, and the future SHC for the Eastside are all closely related and it's important for the public to see the big picture and be involved.

Mr. Sprague said he agreed that the integration needs to occur with the Forest Resource Plan and he intends to achieve that goal.

05-07 Trust Land Transfer Update (Handout 3)

Robin Estes, Asset Management Transactions Manager, presented. She introduced Evert Challstedt and explained that he would be giving the presentation on the 05-07 Trust Land Transfer program.

AGENDA:

- Program goals and process
- Historical summary
- 05-07 Proposal
- Selection criteria & process
- Proposal

- Time Line
- Property characteristics
- Property map & list

Trust Land Transfer Program Goals

- Immediate revenue for schools
 - o Timber Value funds schools directly
 - o Land Value funds schools indirectly
- Divest of underperforming land assets that have special ecological and social attributes
- Reinvest in revenue productive properties
 - o Commercial Forest Land
 - o Commercial Agricultural Land
 - o Commercial Real Estate
- Diversify trust assets
- Protect special properties for public benefit

Legislative funds serve a dual purpose by providing revenue for school construction and acquiring special properties for public benefit.

Mr. Challstedt talked about the historical summary of the legislative appropriations stating that from 1989-2005 the total appropriation was \$477,352,000. The proposal for 2005-2007 is \$67,000,000.

Account Distribution 1989-2003

Common Schools	\$348,496,720	82.5%
Land Replace	\$65,402,000	15.5%
Administrative Costs	\$8,453,280	2.0%
Total	\$422,352,000	100%

Recipients 1989-2003

NAP/NRCA	\$248,769,000	58.9%
State Parks	\$95,916,000	22.7%
Counties/Cities	\$46,468,500	11.0%
Fish & Wildlife	\$1,605,000	0.4%
Administrative Costs	\$8,453,280	2.0%
Common School (unused)	\$21,140,220	5.0%
Total	\$422,352,000	100%

Land transferred from 1989-2003, Value: \$65,402,000; Acres: 75,139; Value/Acre: \$870

Land replaced from 1989-2003, Value: \$58,413,636; Acres: 34,632; Value/Acre: \$1,687

The above values illustrate long-term program benefits. Low valued timberland is replaced with higher valued income producing forestland, agricultural land, and commercial real estate.

Trust Land Transfer Property Selection Criteria 2005-2007

The Department used the following criteria as a guide for selecting properties for the 2005-2007 Trust Land Transfer list:

- Trust land with special ecological and social attributes that are underperforming for revenue production
- Suitable properties with older timber

- Aggregate timber to land ratio 80% or greater.
- TLT considered most appropriate disposal method
- Public agency willing to accept and manage property for designated public use.

TLT Process:

- 03-05 legislation used as model
- Regions submitted candidate properties and coordinated with receiving agencies
- The Department compiled the state property list and established the appropriation request following discussions with OSPI, WDFW, State Parks, counties, recipients and others.
- Over 50 properties considered, 25 selected

Ms. Bergeson asked how properties come in from the regions?

Mr. Challstedt responded that the Region field staff has close ties with community groups and land trusts so they are able to list properties that meet the criteria.

Ms. Bergeson asked how many people in the community inquire about the Trust Land Transfer program to the regions?

Ms. Estes responded that DNR is continuing to market and advertise the program through their website and news releases. She added that the land trusts are active in working with local communities in that regard.

Mr. Cook referred to a bullet on slide 2 (Handout 3) that states the Department's goal of divesting of under performing land assets that have special ecological and social attributes. He felt that the statement described the current situation with Lake Whatcom and would continue to if the preferred alternative were adopted. He wanted to know what the procedure would be to put the 7,000 acres in the Lake Whatcom watershed into this program?

Mr. Challstedt said he couldn't comment specifically on Lake Whatcom because he was not familiar with that particular parcel but the same criteria as used for the current list would apply to any parcel being considered for the program.

Chair Sutherland noted that the Trust Land Transfer program only allows Common School Trust lands and because most of the land in Lake Whatcom is Forest Board it does not meet the criteria. If DNR were to pursue that route they would have to go through a transfer of ownership of equal value finding Common School Lands for the same value and do a transactional trade; then the Lake Whatcom land would be Common School Trust as opposed to Forest Board Lands. It would then go through a legislative process with them paying for it if they were willing; at approximately \$30 million dollars (\$2,000/acre for Lake Whatcom Lands) you'd be looking at almost a whole biennial appropriation.

Mr. Bare asked if there were sufficient acres in Whatcom County to make that transfer and if not could you go outside the County?

Chair Sutherland explained that you could go outside of the County for a trade as explained earlier but the junior taxing districts and School Districts get very nervous because it can have a significant impact on their revenue.

The Department is submitting the following legislative budget request to fund the 2005-2007 Trust Land Transfer Proposal

Appropriation authority: \$67,000,000 for the transfers and 20% or \$13,400,000 for the purchases. The purchase authority enables the Department to replace lands that have been transferred in the same biennial process as the transfers. The Department is requesting a 80/20 timber to land ratio and for the legislature to continue the 30 year timber restrictive lease/easement clause that allows properties to be transferred by easement, the value of which goes directly to the Common School Trusts. Additionally DNR will ask to retain the 30+ year deed restriction for the designated use.

The following conditions will be included with the transfers

- Minerals to be reserved as provided by statute
- DNR's Habitat Conservation Plan (HCP) will be retained on critical habitat lands

The following is the anticipated distribution of appropriated funds

Common School Construction Account: \$52,400,000

Land Replacement Account: \$13,100,000

Administrative Cost Estimate: \$1,500,000

Mr. Huntingford asked what the HCP being retained on critical habitat lands would mean for the Department?

Mr. Challstedt responded that it helps retain the integrity of the HCP. DNR would retain credit for critical habitat under the HCP.

Ms. Bergeson said her understanding was that legislation was already in place and wondered why this was a request for legislation?

Mr. Challstedt said it is strictly a budget request; they are not changing legislation.

Ms. Bergeson asked if the lands aren't disposed of by the end of the biennium is the appropriated money lost?

Mr. Challstedt responded that any unused appropriated funds revert to the Common School Construction Account at the end of the biennium.

TLT Process Timeline:

11/2/04: DNR submits proposal for Board review

12/04: DNR submits proposal to Office of Financial Management (OFM) and Legislature

04/05: Legislature approves budget bill to include TLT appropriation, direction and property transfer list

7/1/05: DNR begins implementation; appraisals are initiated; projects presented for BNR approval

10/06: 07-09 TLT list presented to BNR

6/30/07: 05-07 TLT transfer complete and remaining funds transferred to schools

**The following is the Trust Land Transfer list of 25 properties proposed for transfer in the
2005-2007 biennium**

Property Values *

#	Property Name	Acres	County	Recipient	Timber	Land	Total	T/L%
1	Caspers Timber Reserve	50	King	Seattle	910,000	0	910,000	100
2	Charley Creek Phase 1	1,100	King	DNR-NAP	18,040,000	670,000	18,710,000	96
3	Tahoma Forest	410	Lewis	DNR-NRCA	2,030,000	100,000	2,130,000	95
4	Lake Cushman	1,040	Mason	Tacoma	3,660,000	310,000	3,970,000	92
5	Bite Hill	355	Clallam	DNR-NAP	2,000,000	230,000	2,230,000	90
6	Far Out	640	King	Tacoma	1,250,000	220,000	1,470,000	85
7	West Tiger Mountain	145	King	DNR-NRCA	860,000	170,000	1,030,000	83
8	Kittitas-Wildlife	575	Kittitas	WDFW	3,310,000	800,000	4,110,000	81
9	Okanogan-Wildlife	350	Okanogan	WDFW	60,000	100,000	160,000	38
10	Camp Bonneville	820	Clark	Clark Co	4,840,000	1,410,000	6,250,000	77
11	Mount Si Phase 1	1,100	King	DNR-NRCA	5,410,000	1,710,000	7,120,000	76
12	Horseshoe Lake	350	Pierce	Key Pen Parks	2,540,000	880,000	3,420,000	74
13	South Pierce Wetland	160	Pierce	Pierce Co	1,020,000	400,000	1,420,000	72
14	High Point	40	Island	Island Co	400,000	160,000	560,000	71
15	Kopachuck	20	Pierce	Pierce Co	300,000	140,000	440,000	68
16	Newkirk	150	Spokane	State Parks	160,000	80,000	240,000	67
17	Sultan Basin Phase 2	3,800	Snohomish	DNR-NRCA	1,860,000	1,290,000	3,150,000	59
18	Stavis Creek Phase 1	800	Kitsap	DNR-NRCA	2,000,000	1,550,000	3,550,000	56
19	Upper Maxwellton Valley	205	Island	SWPRD	1,330,000	1,100,000	2,430,000	55
20	Skyline West	40	Island	Island Co	210,000	190,000	400,000	53
21	Lake Easton	160	Kitittas	State Parks	880,000	840,000	1,720,000	51
22	Brainers Road	40	Island	Island Co	200,000	360,000	560,000	36
23	Glendale Creek	40	Island	Island Co	200,000	380,000	580,000	34
24	Wahl Road	20	Island	Island Co	100,000	200,000	300,000	33
25	Harry Osborn Park	5	King	King/Redmond	70,000	160,000	230,000	30
TOTALS		12,415			53,640,000	13,450,000	67,090,000	80

* All values are estimates.

Actual values to be determined by market appraisals after project implementation.

Ms. Bergeson referred to the list of properties and asked if the higher valued lands would be transferred first?

Mr. Challstedt said they would move as quickly as possible with appraisals on the higher valued timber lands, but that the first properties might not be the most valuable due to appraisal schedules.

Ms. Estes added that the appraisal process drives a lot of the elements in a transaction so they will group properties based on geographic location and elevation.

Chair Sutherland noted that the "Far out" parcel is located in King County however the recipient is the City of Tacoma; he assumed the property was in the Tacoma City Watershed (their drinking supply).

Mr. Challstedt said that was correct it would be transferred to the City of Tacoma to manage as part of their watershed.

Lake Whatcom Landscape Management Plan (Action Item) (Handout 4)

Mr. Mackey explained that today’s goal would be to answer the Board’s questions on the cost of implementing the preferred alternative and then presenting the draft resolution for the Board’s consideration.

Bill Wallace, Northwest Region Manager, presented. He began with a review of the key elements of the “Lake Whatcom Landscape Management Pilot Project” (E2SSB 6731)

- Riparian zones for all streams
- Carefully regulate harvest and road construction on potentially unstable slopes
- Prohibit road construction on unstable slopes
- Develop a sustained yield model that is consistent with the one just adopted for Western Washington
- Develop road maintenance and abandonment plan
- Establish an interjurisdictional committee (IJC) that would assist in development of the plan, review site-specific activities, and make recommendations.
- No timber harvest until plan is complete
- Plan was to be completed by June 2001 but due to time constraints with the IJC, EIS, and integrating the SHC, it has caused a delay in completion.

Chair Sutherland commented that he and Mr. Wallace continued to brief legislative committee members and they were fully aware of the progress being made on the development of the plan and the issues being discussed by the IJC. He asked Mr. Wallace if at any time legislators expressed concern over the length of time that the process was taking?

Mr. Wallace said none were expressed to him and he felt they understood the complexities of the issues and appreciated the large public participation process brought about by the EIS.

Mr. Wallace said he would be answering the Board’s previous questions on implementation costs.

Implementation of Costs: Review of April Board Meeting

Board questions/comments on costs:

- What is the cost benefit ratio?
- At what point would it be considered non-profitable?
- Where would the increased management costs come from?
- Is it fair and equitable to beneficiaries?
- Concern over financial impact to other counties

Mr. Wallace said the information shared today in terms of analysis would be based primarily on what was presented in the EIS, a relative comparison of the no action alternative and the preferred alternative.

He referred to lands in special protection (off-base acres)

Portion of Landscape in Special Protection

	No Action Alternative	Preferred Alternative
Acres in Special protection	4,317	7,431
% Of Landscape	27%	47%

*Source: Lake Whatcom Landscape Plan DEIS, September 8, 2003, Table 6

Summary of Undiscounted Revenue* (For 200 year planning period)

Alternative	Total Revenue
No Action	\$337 million
Preferred Alternative	\$177 million
Difference	\$160 million

*Source: Lake Whatcom Landscape Plan DEIS, September 8, 2003, Table 7

Mr. Wallace explained that there would be an approximate \$16.00 per thousand board foot, net cost increase. With the preferred alternative DNR anticipates less road cost but an increase in yarding and overall operational costs (due to more skyline and helicopter yarding), amounting to an increase of about 15% in logging costs.

Logging Costs:

- Higher costs for preferred alternative
 - o \$16/MBF net cost increase
 - o \$1.1 million trust revenue reduction over first 2 decades
 - o Purchasers will bid less for timber to make up for increased logging costs; reducing stumpage prices

Chair Sutherland asked if those dollars were reflected in the DEIS?

Mr. Wallace said those dollars were built into the model. He was showing an example of what’s embedded into the model and reflected in the next slide:

Net Present Value of Timber Production*

Alternative	Net Present Value
No Action	\$32.1 million
Preferred Alternative	\$20.8 million
Difference	\$11.3 million
Reduction of asset value by 35%	

*Source: Lake Whatcom Landscape Plan DEIS, September 8, 2003, Table DEIS4-1

Based on 200 year planning period

Additional Management Fund Expenditures*

- \$0.8 million to prepare EIS and landscape plan
- \$0.8 million** for DNR staff time to work with interjurisdictional committee and community over first 2 decades

*Not included in FEIS

**Costs are estimated

Road Revenue and Costs* (For First Two Decades)

	No Action	Preferred Alternative
Revenue: ARRF fee	\$2.1 million	\$1.5 million
Cost: RMAP (first 4 years)	-\$1.6 million	-\$1.6 million
Cost: Ongoing Maintenance	-\$1.2 million	-\$1.1 million
Balance	-\$0.7 million	-\$1.2 million

*Not included in EIS. All costs are estimated.

MOTION: Terry Bergeson moved to approve Resolution #1141.

SECOND: Chair Sutherland seconded.

DISCUSSION: Ms. Bergeson stated that it was important for the Board to adopt the resolution today. She commented that no one was happy about the current form the plan is in and people have been working really hard to bring the best possible scenario together. She noted that she would be submitting several amendments to the resolution as they move along. She emphasized the importance of passing the resolution to see what impact it would have on revenue and also stressed the need to educate the legislature on the impacts of their legislation put in place four years ago.

Mr. Huntingford pointed out that the Department acquired the Lake Whatcom Land at the request of Whatcom County, but with the restriction of management on the land it puts the Board and DNR in an awkward position to produce revenue for the trusts. He emphasized that from a county & junior taxing district standpoint it's not fair for them to bear the cost of Lake Whatcom. He added that clean drinking water is important but the whole issue puts BNR/DNR in a position to try and address all those concerns. He reiterated his concern from a county standpoint that if the Resolution is adopted because it's the "right" thing to do, what kind of precedent would that set for future issues similar to this? He wondered if the legislation regarding Lake Whatcom had taken into account the impacts on the other trusts.

Mr. Nichols referred to Mr. Dick's statement during public comment regarding the consultation of other landowner's; he asked Mr. Wallace if he had a response to that?

Mr. Wallace said that comment was based on the premise that the forest industry and forest landowners were not members of the first IJC; the previous administration chose the members. He added that although they weren't formally on the IJC, they were invited to the meetings, minutes from the meeting were provided, and the EIS process included all interested parties, including the forest industry.

Mr. Huntingford asked what percentage of the watershed is managed by DNR? He also wondered what restrictions private landowners have or would DNR bear the brunt of the restrictions?

Mr. Wallace said that State Forestland makes up 46% of the land in the watershed. He clarified that this plan only applies to state lands and what is being proposed would not apply to private landowners.

Mr. Cook directed the Board's attention to section 9 of the draft resolution, which states "In approving this resolution the Board of Natural Resources has material concerns about the fiduciary efficacy of the preferred alternative." He commented on how important that statement is in his decision on the Lake Whatcom Landscape Management Plan explaining that essentially their hands are tied and the Board members are very frustrated about the position they are in with this issue.

Ms. Bergeson stated that she would like to insert an amendment to the resolution on page 3, line 10, after "costs." Insert "The annual report shall also include an analysis of the management of the Lake Whatcom Landscape Management Plan Pilot Project in relation to the Sustainable Harvest and associated Forest Resource Plan (adoption pending), and in comparison to management of the remaining trust lands under DNR jurisdiction."

MOTION: Terry Bergeson moved to approve the proposed amendment to Resolution 1141.

SECOND: Bruce Bare seconded.

DISCUSSION: Ms. Bergeson added that she proposed this amendment because it provides an additional component for the annual report to analyze management of the Pilot Project. She said there are clear ramifications associated with cost but there may be other impacts that present themselves as this is implemented. She commented that the reason the legislation for Lake Whatcom passed four years ago was due to a lack of trust by the people in the community. The legislative action had a much bigger impact than many people understood. She expressed her desire to build trust with the IJC and commented that the Board needs data to inform them in the future; she'd like to get specific about that data not only for the legislature but also for the Board and stakeholders.

Mr. Cook said he supported the amendment but wanted to know what the fiscal responsibility would be for that extra amount of work?

Mr. Mackey responded that what Ms. Bergeson is asking for is compatible with what they are trying to implement and the Board would be briefed on that.

ACTION: Motion passed unanimously.

Ms. Bergeson referred to her next proposed amendment: On page 4, line 6, after "Alternative." Insert "In order to address the Board's fiduciary responsibility, the Board directs the Department to start implementing the Plan and producing revenues as expeditiously as possible."

MOTION: Terry Bergeson moved to approve the proposed amendment to Resolution 1141.

SECOND: Jim Cook seconded.

DISCUSSION: Ms. Bergeson said she'd like to implement the Plan and see what they can do within the preferred alternative instead of just talking about it.

ACTION: Motion passed unanimously.

MOTION: Mr. Cook suggested an amendment on page 3, line 27, the insertion of a single word, where it reads "to assess the long term viability", replace "long term" with "economic", to clarify viability in this context.

SECOND: Terry Bergeson seconded.

DISCUSSION: Mr. Cook added that the word viability is a little ambiguous and he wanted to be sure that the economic viability be reflected in the resolution.

Mr. Bare wondered if "economic viability" would be too restrictive, he felt that it didn't include the three metrics used to define sustainability.

Mr. Cook said he wanted it to specifically refer to the economic because he felt the social and environmental aspects had been covered adequately. He felt the economic side needed a little more visibility.

Mr. Nichols remarked that the plan as a whole encompasses the three circles (social, environmental, & economic) and if it were to read “economic” than it pulls it off to one circle.

Mr. Huntingford stated that the Lake Whatcom Landscape Plan currently presented makes the three circles different sizes, none of them being consistent. He felt that it wouldn’t get them to their goal in the SHC of trying to balance those; it puts it out of balance in this particular watershed and plan.

Mr. Nichols remarked that the Lake Whatcom Landscape Plan includes the three circles but the amendment suggested by Dr. Cook would put the resolution out of sync with the plan by focusing primarily on the economic.

Mr. Huntingford noted that the inconsistency was already present before Dr. Cook suggested the amendment.

Mr. Nichols commented that there have been a lot of concerns expressed by the Board Members regarding the fiduciary responsibilities but he felt the proposed amendment was inconsistent with what the plan is really focused on which is the three circles together. He felt that the economic side is covered throughout the resolution and in Board comment.

Mr. Huntingford stated that keeping the three circles consistent with one another is a great goal but how do you address the economic impact to the Department to operate in the watershed, let alone benefit the trusts? He doesn’t see the Department being able to operate in the watershed in a responsible manner, and further, for the Board not to speak up and say that doesn’t send a clear message to the legislature. The water quality issues are important and need to be addressed but he doesn’t think the Department can keep absorbing those costs and continue management of the watershed year after year with more restrictions and less timber on base. He wondered how they could get that message to the legislature.

Ms. Bergeson said although she seconded Dr. Cook’s proposed amendment she wasn’t opposed to not accepting that change. She felt that the economic aspect had been voiced and is covered in the resolution. She stated that the environmental and social aspects had been carefully attended to in the plan but the fiduciary had not, to the satisfaction of the Board, however because the Board is mandated by law they would follow it as a Board; if the plan doesn’t work it will be apparent whether or not the word “economic” is in the resolution.

Mr. Bare commented that the Board had spent a lot of time talking about sustainability and what it means; he felt the Board was in agreement that it means the proper dynamic balance across the spectrum of the three circles. He suggested that as a compromise page 3, line 27, could be modified to read, “to assess the sustainability of the Lake Whatcom Landscape Management Pilot Project Plan paying specific attention to the economic impacts.”

Mr. Cook said he would accept that as a friendly amendment. He added that he wasn't trying to discount the social and environmental components in any way but he felt the only way it would make sense to him was to include the economic aspect; but he agreed that sustainability covers that.

Mr. Nichols said he was comfortable with the proposed friendly amendment.

Chair Sutherland concurred.

ACTION: Motion passed unanimously.

MOTION: Mr. Huntingford made a motion to adopt section 10 as proposed by Skagit County into the resolution.

SECOND: Jim Cook seconded.

DISCUSSION: Chair Sutherland read Section 10: "In order to address the Board's fiduciary responsibility to equitably treat all trusts, including those trusts with lands inside the Lake Whatcom watershed, the Board directs the Department to implement the Lake Whatcom Pilot Project Plan such that revenues generated from trust lands inside the Plan area must exceed all implementation costs, including but not limited to road maintenance and abandonment costs, and all administrative and other costs, for each fiscal year of Plan implementation. The Board further directs the Department to insure that all cost of the Plan implementation will be borne on a proportional basis to each trusts' ownership inside the Plan area for each fiscal year of Plan implementation. The Department is directed to prepare and provide a detailed accounting of revenues and costs by trust as part of the annual reporting requirement described in Section 6."

Mr. Huntingford said that section 10 and the insertion of it into the resolution would address the issues brought up earlier regarding the trusts being treated equally. He asked for the opinions of the other Board Members.

Chair Sutherland said he understood what Skagit County was trying to achieve with the proposed amendment, section 10. He referred to the earlier statutory requirements that states if there are unusual management costs incurred as a result of request by a jurisdiction, city, or county that the city or county bear the burden of those costs. He said he did not disagree with their position but he suggested that the way section 10 was written could become a nightmare because the Department doesn't work on an annualized basis, it takes anywhere from 6-14 months to put together a harvest plan, with Lake Whatcom it could take longer and become more complex. He added that it then would come to the Board for concurrence, and then to Auction, then up to 18 months for harvest, to try and keep track of those costs on an annual basis would be a fiscal nightmare. He said he understood what the objective of section 10 tries to achieve but it would be onerous on the Department to put together. He spoke in opposition to the insertion of section 10 to the draft resolution 1141.

Mr. Cook said it may set a precedent and wondered if there was a downside to it from that point?

Mr. Mackey said that the Department is required to implement the Road Maintenance and Abandonment plan across all state lands and explained that it's legislatively mandated and you can't do it with the revenues generated. The AARF funds are a loss for the first four years but over time it generates positive. The expenses that occur in forest management are lumpy and large and section 10 would create a legal issue and timing problem; under section 10 the Department would not be able to meet the legal requirements for the Forest & Fish agreements.

Ms. Bergeson said she didn't think it would be possible to "direct" the Department to make sure the revenues generated exceeded the implementation costs. In her opinion section 10 was borne out of frustration over the economic issues that have been discussed and many share. She didn't feel that section 10 would be the solution but felt that working together on the management of the Plan with the community and Department and then analyzing the progress would produce a better end result.

Mr. Huntingford said he agreed with what the Board had expressed but he still had concerns about how they would track the progress in the watershed.

Mr. Mackey said Dr. Bergeson's amendment to section 6 where she asks for specific analysis on the Lake Whatcom Landscape Plan in relation to the Sustainable Harvest Calculation and the Forest Resource Plan would show opportunity costs over time associated with this plan versus what would happen with the SHC, it would also show who bears the cost.

ACTION: Motion failed.

Mr. Bare read a statement regarding the Lake Whatcom Landscape Management Plan:

"In considering the Lake Whatcom Landscape Plan, I am conflicted over several issues which have, in part, been discussed by other Board members today.

E2SSB 6731 requires that the Department develop and implement a management plan that appears to exceed the requirements of existing rules and regulations that address water quality, slope stability and road construction issues. What is lacking in the existing management plan that would indicate these are problem areas not being appropriately addressed by the existing rules and regulations?

No one questions that the Department must adhere to all existing state and federal laws impacting the management of our trust lands. However, I believe the Board has an obligation to identify instances of an unfunded mandate that originate at either the state or federal level that conflict with our fiduciary responsibility. The Department's preferred landscape alternative, developed by a broad constituency of user groups and interested parties, calls for reduced levels of economic activity when compared to the current management plan.

The goal of directives, such as E2SSB 6731, presumably is to enhance the production of public goods and perhaps protect public safety. But this law does not request a scientific study to determine the effects of current forest management activities on the public good to determine what kind of relationship exists between the two. Instead, it presumes there is a negative relationship and requires an alteration of management procedures based on that assumption.

Should such activities be funded by the trust beneficiaries at the risk of reduced income levels or should the state general fund absorb these costs? Even if there was a negative relationship, where does one

draw the line between an expenditure undertaken to produce a public good such as water quality and management activities designed to enhance the income potential of the land?

Lastly, although the state trust lands are public lands they are not managed under provisions of the public trust doctrine. Rather, they are managed as legal trusts for the benefit of designated beneficiaries. Hence, I do not believe that it is proper to impose the costs of producing additional levels of public goods onto the trust beneficiaries without just compensation.

Therefore, I believe that the Department should: (a) immediately undertake to investigate ways to transfer ownership of appropriate state lands out of the watershed and (b) seek ways to compensate trust beneficiaries for unwarranted reductions in asset value induced by the preferred landscape alternative.”

Mr. Nichols asked what percentage of State Land was in the Lake Whatcom Watershed? He stated that the implications of the Lake Whatcom issue had been known since the legislation was passed; he felt that anyone who paid attention would see the clear and obvious fiduciary impacts versus the social aspects. He said that in the last four years a lot of time had been spent by DNR staff and local communities to bring together a plan that made sense for everyone. Mr. Nichols extended his appreciation to Bill Wallace and staff for their hard work on this plan and bringing this difficult issue to a conclusion; he said it was an outstanding job.

Mr. Wallace said that State Lands accounted for 46% of the land in the Lake Whatcom watershed.

Chair Sutherland stated that he felt that the legislature responded to the community as a result of significant fears and concerns about their safety. He stated that there had also been some question whether or not Forest Practices in the watershed had a negative impact on the quality of water in Lake Whatcom; as a result of those concerns the legislature adopted the bill regarding Lake Whatcom that gave the Department direction to proceed. He stated that throughout this process and through the additional lessons learned with new forestry it has provided new information that the legislature did not have four years ago when adopting the Lake Whatcom bill. Chair Sutherland agreed that historically there had been mass wasting in the watershed long before settlements and he felt that harvest activity, if done right, could minimize the safety concerns while at the same time recognizing the benefits that harvesting in the watershed would bring to local jurisdictions. He commented that any forest management plan would be complex as you try to envision harvest activity in long narrow strips and he felt that there would be unidentified ramifications from the implementation of this plan. He stated that the field activity would determine what this resolution is going to develop; he felt it was important to proceed with the resolution to find out what the impacts may be so the Department could have solid information to present to the legislature, which is why section 8 of the resolution states that on or before the year 2011 the pilot project would be assessed to see if it should continue. He stressed that it's extremely important to have this information for the legislature to determine how to proceed in the Lake Whatcom watershed in the most beneficial way for all parties involved. He emphasized that it's really important that Whatcom County, City of Bellingham, and others involved start thinking on a broader scale what the impacts from development and land use issues in this watershed are and how that community should come together and start discussions with themselves on whether or not they want someone else managing the watershed for them. He testified that when he was working for the City of Tacoma they purchased the City of Lester and the School District that was located in the City of Lester; the reason for that acquisition was to make sure that the watershed that the City of Tacoma was dependant upon was properly managed and preserved to adequately protect the water supply of the community of Tacoma. A significant factor in that situation was that the property was located in King County not Pierce County; recognizing the importance of protecting the water supply the City and the community made the obligatory financial commitments to be able to secure and protect their watershed. Chair Sutherland

remarked that in his opinion its time for the people of Bellingham and Whatcom County to start thinking about their own responsibility to protect their watershed; it shouldn't be pushed onto another entity, additionally it would give them the power to make the kinds of management decisions that they feel are the best for their community. He stated that he would be more than willing to bring those folks to the table to begin those serious discussions. He said the watershed is worth somewhere from \$30-\$60 million dollars, which would be a significant consideration of any jurisdiction but at the same time over the long term it would be in their best interest and he recommended that the Lake Whatcom communities start thinking in those terms.

ACTION: Motion to adopt Resolution #1141 as amended passed unanimously.

Mr. Huntingford said there had been changes in Forest Practices since the legislation regarding Lake Whatcom was passed and he felt that DNR should do a documentary to tell their story about what the Department is doing on the ground. He felt that the public is not aware that DNR is doing what is required by the Forest & Fish rules and above and beyond that.

Chair Sutherland agreed and he commented that since taking office four years ago he has seen how uninformed the public is about what the Department does and what they are legally required to do. He said they would try and figure out a way to get the story documented and out to the public.

Ms. Bergeson thanked Bill Wallace and his staff for their dedication and work on this plan and thanked Dan McShane and Steve Hood for being present for the discussion on Lake Whatcom. She stated that she was relieved that the resolution had been adopted and now the next step is implementation. She testified that the process started based on mistrust and that it now needs to grow on trust, knowledge, and information on the best things that can be done including the ability to build the kinds of relationships that Chair Sutherland just mentioned regarding the communities looking at their overall bigger picture. She added that it would be a learning process for everyone but one that could be worked on and explored as DNR/BNR meets with the IJC committee and staff; she would like to get past confrontational issues and focus on mutual problem solving.

Mr. Wallace wanted to recognize Steve Hood for his great work as a DOE representative and the Chair of the Lake Whatcom DNR Landscape Plan Committee. He wanted to thank Jeff May for his work on the plan and with the committee; they would now be working on the implementation of the plan. Lastly, he wanted to thank the Board for their dedication and perseverance in this process.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

David Atchison - Campaign Director - Cascade Conservation Partnership

Mr. Atchison expressed his support for DNR, the Trust Land Transfer program, and the Cabin Creek Sale. He stated that in the past few years there has been a number of groups working together to help make the Yakima River Wildlife corridor a reality and that campaign is now coming to an end. He added that the Cabin Creek Sale dovetails the efforts of what they are trying to achieve.

Chair Sutherland asked if there was anyone else present wishing to make comment before the Board? Seeing none, hearing none.

Meeting adjourned at 11:44 a.m.

Approved this ____ day of _____, 2004

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Bruce Bare, Dean, University of Washington

R. James Cook, Dean, Washington State University (Interim)

Terry Bergeson, Superintendent of Public Instruction

Glen Huntingford, Commissioner, Jefferson County

Attest:

Sasha Lange, Board Coordinator